

STEPTOE & JOHNSON^{LLP}
ATTORNEYS AT LAW

EI-1686
KS

David H. Coburn
202.429.8063
dcoburn@steptoe.com

1330 Connecticut Avenue, NW
Washington, DC 20036-1795
Tel 202.429.3000
Fax 202.429.3902
steptoe.com

September 20, 2005

Ms. Victoria Rutson
Chief
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

**Re: Tongue River Railroad Company, Inc. - Finance Docket 31086 (Sub-No. 3) -
Construction and Operation of the Western Alignment - Draft
Supplemental Environmental Impact Statement**

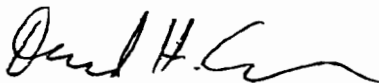
Dear Ms. Rutson:

This will respond to your August 29, 2005 Information Request concerning air quality issues for the Final Environmental Impact Statement being prepared for the Tongue River Railroad Company's proposed construction and operation of the Western Alignment. Attached to this letter please find the Statement of Francis A. Roberts of Platts, which addresses the coal volume forecast and chemical composition/quality questions raised in your letter. This is the same Mr. Roberts who has previously submitted testimony for TRRC on the merits side of the TRRC proceeding.

With respect to the permit status of Ashland area mines, no permits have to date been sought or issued.

Concerning the questions about BNSF line capacity, TRRC will respond to these shortly under separate cover.

Sincerely,



Betty Jo Christian
David H. Coburn
Attorneys for Tongue River Railroad Company, Inc.

cc: Mr. Ken Blodgett

Ms. Victoria Rutson
September 20, 2005
Page 2

Mr. Scott Steinwert
Ms. Mary Bean
Mr. Douglas Day

September 19, 2005

**STATEMENT OF FRANCIS A. ROBERTS IN RESPONSE TO THE SURFACE
TRANSPORTATION BOARD'S SECTION OF ENVIRONMENTAL ANALYSIS
INFORMATION REQUEST OF AUGUST 29, 2005**

My name is Francis A. Roberts, and I reside at 4118 Stoneham Circle, Loveland, CO 80538. I am a Sr. Consultant at Platts, a division of The McGraw-Hill Companies and the world's largest energy information provider. In my capacity as a Principal at Platts Research & Consulting, a Platts subsidiary, in Boulder, CO, I submitted a Rebuttal Verified Statement to the STB on November 26, 2003 in Finance Docket 30186 (Sub-No. 3), *Tongue River Railroad Company -- Construction and Operation of the Western Alignment*. I also assisted Mark T. Morey in the preparation of his Verified Statement to the STB in the same proceeding, which Verified Statement was submitted to the STB on May 1, 2003.

At the request of Tongue River Railroad Company, we have prepared responses to a portion of the August 29, 2005 Information Request addressed by SEA to David H. Coburn. That request concerns air quality issues related to the construction and operation of the Tongue River Railroad. Specifically, Platts has responded to the series of questions posed in the paragraphs that begin "Second" and "Last" of the Information Request. I understand that Tongue River Railroad Company representatives will respond to you under separate cover concerning the questions about BNSF capacity.

In the paragraph of the Information Request that begins with the word "Second", SEA seeks to confirm that the current record for the Sub-3 proceeding is up-to-date and accurate with respect to coal forecasts. Specifically, SEA desires to know if there have been changes of note since the TRRC's May 2003 filing supplementing its April 1998 application. The answer is that there have been no significant changes. Platts has not appreciably altered its forecast of production tonnage for the Northern Powder River Basin (NPRB) nor has it altered in any substantial manner its forecast of the amount of coal that is expected to be hauled by the TRRC.

In fact, as of this date, the forecast prepared in Table 1 of Mr. Morey's May 2003 Statement has proved to be extremely accurate. The 2004 NPRB demand forecast in the Table 1 of Mr. Morey's May 2003 filing (40.8 million tons) was less than 3% different than actual 2004 NPRB production (39.6 million tons) with stockpile reductions likely contributing to some of the small difference. The current Platts forecast of 2005 NPRB production (39.8 million tons) is less than 3% different than the 2005 NPRB demand forecast set forth in Table 1 of Mr. Morey's May 2003 filing (40.9 million tons) with stockpile reductions again possibly contributing to some of the difference. These figures can be seen in Table 1 of this document, below.

TABLE 1
Northern Powder River Basin Forecast Demand -vs- Actual Production

	<i>Millions of Tons</i>	
	2004	2005
May 2003 STB Filing	40.8	40.9
Actual Annual Production	39.6	
August 2005 Platts Forecast		39.8
<i>Forecast Error in May 2003 Filing</i>	<i>-3%</i>	<i>-3%</i>

Source: Actual production from Platts COAldat™ database

Thus, the forecast in the May 2003 filing has proven accurate within expected error limits and has not required revision. Since the forecast of NPRB demand has proven accurate there has been no reason to adjust the tonnage amounts expected to be hauled by the TRRC.

Further, I have reviewed the "Total Tonnage Forecast" table, which is set forth on the last page of Mr. Morey's May 2003 Statement. I know of no developments since that Table was prepared that would require any revisions to that Table.

The SEA desires to know if the TRRC has produced estimates of the power plants it expects to serve, the mileage savings owing to use of the TRRC track, and the market share the TRRC expects to capture. In the May 2003 filing, the projected market for NPRB coal was considered to exist largely of the market already served by existing NPRB mines, with most out-year demand growth resulting from increases in capacity factors at those plants. In fact, the market for NPRB has been remarkably stable and predictable over the years. In 2004, 86% of the coal sold from the NPRB into the electric generation market was sold to a power plant that had been an NPRB customer for at least 14 years. The stable customer base for NPRB coal is illustrated in Table 2.

TABLE 2
Utility Market Demand for NPRB Coal

<i>Thousands of Tons</i>			
Power Plant	1990	2004	2005 (Through May)
Colstrip	8,798	6,378	2,730
Sherburne	4,258	5,584	2,463
Clay Boswell Energy Center	3,994	3,727	2,023
St. Clair	4,523	4,010	976
Belle River	4,056	3,853	939
Stateline (DOMENE)	348	1,739	554
Centralia (TRAENE)		915	315
Stanton (GRERIV)		266	314
B. C. Cobb	312	929	271
Hoot Lake	174	442	247
Taconite Harbor Energy Center		933	233
Syl Laskin	31	408	181
Presque Isle	883	488	166
J. C. Weadock		239	149
Grand Rivers Terminal (BRT Tra		243	139
King	384	351	111
Dewey	388	538	108
Others	7,165	2,418	366
Grand Total	35,292	33,438	12,286

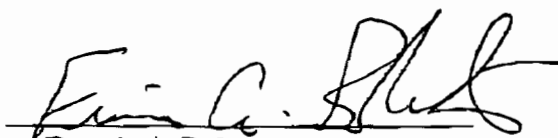
Source: Platts COALdat™ Database

This stable market is the core of the future market for NPRB coal. Ashland area mines will, in large part, simply substitute as supply sources for current Decker/Spring Creek area mines as those latter mines deplete their reserves. Given the similarity in coal characteristics between Ashland area coal and Decker/Spring Creek area coal, purchasers of Ashland area coal would not be influenced in their choice of coal by the small incremental differences in transportation mileage and cost savings that might be realized due to a switch from Decker/Spring Creek sources to Ashland sources. The TRRC will thus "capture" essentially the full market share currently held by Decker/Spring Creek area mines. Similarly, as stated in the May 2003 filing, the TRRC will "capture" some of the coal traffic currently originating in Wyoming as the market for these Southern Powder River Basin (SPRB) coals grows and their alternative rail capacity limits are reached. This "captured" market share is insignificant when compared to total SPRB demand. Beyond the information set forth previously on behalf of TRRC and the above information, TRRC has no more specific data to share with SEA concerning plants to be served, mileage savings and market share.

In the "Last" paragraph of its Information Request letter, SEA inquires as to substitution and usability issues with respect to Decker and Ashland coals and with respect to coals originating at Montana versus Wyoming mines. Regarding substitution potential, it is important to note that Ashland and Decker coals are both NPRB compliance coals. Substituting one NPRB coal with another is much simpler from a quality standpoint than is substituting NPRB coal with a non-Powder River Basin coal. The heat content of

NPRB coals is quite similar, as is the sulfur, ash, and moisture content. Therefore, when one NPRB coal is substituted for another NPRB coal, there is usually very little difference in coal tonnage requirement.

This is not true when substituting coals from different regions. For example, a utility substituting a Gillette, Wyoming SPRB coal for a Decker, Montana NPRB coal would require more SPRB coal to compensate for the lower heat content. The chlorine and moisture contents of Decker and Ashland coals are significantly different than those of other, even SPRB, coals and these factors could affect substitutability. Also, FOB mine and transportation costs for alternative NPRB coals are similar, while FOB mine and transportation costs for non-NPRB coals are usually quite dissimilar. These factors all indicate that substituting Ashland area NPRB coal for Spring Creek/Decker area NPRB coal would produce relatively smaller impacts than would substituting a coal from a different coal producing region.



Francis A. Roberts